

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

**BEAVERTON AREA  
FIRE PROTECTION DISTRICT  
GLADWIN COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005**

# **BEAVERTON AREA FIRE PROTECTION DISTRICT**

## **Board Members**

City of Beaverton

Pat Smith  
Jean Hughes

Beaverton Township

Madalyn Hubble  
Jan Posey

Tobacco Township

Ruthann Gerow  
James Andrist

Fire Chief

Tim Illig

Administrator

Jill Nau

**BEAVERTON AREA FIRE PROTECTION DISTRICT**

**TABLE OF CONTENTS**

**FINANCIAL SECTION:**

Independent Auditors' Report.....	1
-----------------------------------	---

**BASIC FINANCIAL STATEMENTS:**

Governmental Fund Balance Sheet/ Statement of Net Assets (Exhibit 1).....	2
Statement of Governmental Revenue, Expenditures and Changes in Fund Balances/Statement of Activities (Exhibit 2).....	3
Notes to Financial Statements.....	4-9

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule (Exhibit 3) .....	10
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**Independent Auditors' Report**

Members of The Administrative Board  
Beaverton Area Fire Protection District  
Gladwin County, Michigan

We have audited the accompanying financial statements of the Beaverton Area Fire Protection District (the "District"), Gladwin County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Administrative Board. Our responsibility is to express an opinion on these financial statements based on our audit.

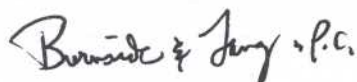
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan  
June 10, 2005

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**March 31, 2005**

	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 76,752	\$ -	\$ 76,752
Prepaid insurance	2,511	-	2,511
Capital assets, net	-	499,321	499,321
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 79,263	\$ 499,321	\$ 578,584
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,530	\$ -	\$ 1,530
Accrued expenditures	726	-	726
Installment purchase contracts	-	259,000	259,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	2,256	259,000	261,256
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance			
Reserved - prepaid expenses	2,511	(2,511)	-
Unreserved:			
Undesignated	74,496	(74,496)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	77,007	(77,007)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 79,263		
	<hr/>		
Net Assets			
Invested in capital assets, net of related debt		240,321	240,321
Unrestricted		77,007	77,007
		<hr/>	<hr/>
Total Net Assets		\$ 317,328	\$ 317,328
		<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Local contributions			
City of Beaverton	\$ 19,421	\$ -	\$ 19,421
Beaverton Township	43,324	-	43,324
Tobacco Township	86,648	-	86,648
Interest income	150	-	150
Sale of fixed assets	2,500	-	2,500
Total revenues	152,043	-	152,043
<b>EXPENDITURES</b>			
Salaries and wages	19,681	-	19,681
Payroll taxes	1,493	-	1,493
Accounting	2,200	-	2,200
Contracted services	3,000	-	3,000
Gas and oil	1,666	-	1,666
Hepatitis B	189	-	189
Insurance	18,102	-	18,102
Meetings and training	1,452	-	1,452
Office supplies	414	-	414
Operating supplies	12,308	-	12,308
Operating lease	1	-	1
Rent	4,000	-	4,000
Repair and maintenance	6,855	-	6,855
Telephone	1,584	-	1,584
Utilities	4,461	-	4,461
Capital outlay	17,850	(17,850)	-
Depreciation	-	48,266	48,266
Debt service:			
Principal payments - Fire pumper	24,000	(24,000)	-
Interest payments - Fire pumper	6,657	-	6,657
Principal payments - Capital lease	8,340	(8,340)	-
Interest payments - Capital lease	537	-	537
Total expenditures	134,790	(1,924)	132,866
Excess of revenues over expenditures	17,253	1,924	19,177
Fund balance/Net assets, beginning of year	59,754	238,397	298,151
Fund balance/Net assets, end of year	\$ 77,007	\$ 240,321	\$ 317,328

The accompanying notes are an integral part of the financial statements.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Beaverton Area Fire Protection District (the "District") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

**A. Reporting Entity**

The District operates under a joint agreement created by the City of Beaverton, the Township of Beaverton and the Township of Tobacco in Gladwin County, Michigan. The agreement was created in 1971 to form a fire protection district comprising the entire area of these three governmental units. The District is governed by an Administrative Board with each unit of government appointing two members to the Board. Consequently, the District's ability to provide services is dependent upon the continued support of these three units of government.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment.



**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Equipment	3-5 years
Vehicles	25 years

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

During the year, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Insurance	\$ 14,000	\$ 18,102
Operating supplies	11,900	12,308
Telephone	1,500	1,584
Capital outlay	11,500	17,850

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS**

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal direct investment by local units of government in Michigan.

The District's deposits and investments are in accordance with statutory authority.

Cash and Cash Equivalents, as of March 31, 2005, consist of cash in bank checking, savings, and certificates of deposit accounts totaling \$76,752, which is entirely covered by federal deposit insurance.

**NOTE 4. RELATED PARTY TRANSACTIONS**

The District entered into a lease agreement with Tobacco Township, Gladwin County for the use of a 2002 Ford Fire Truck. The lease agreement is for five years and requires the District to pay Tobacco Township \$1 per year plus annual insurance and maintenance costs.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the District for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Being Depreciated:				
Equipment	\$ 163,591	\$ 17,850	\$ -	\$ 181,441
Vehicles	577,434	-	-	577,434
Subtotal	741,025	17,850	-	758,875
Less Accumulated Depreciation for:				
Equipment	97,272	25,169	-	122,441
Vehicles	114,016	23,097	-	137,113
Subtotal	211,288	48,266	-	259,554
Governmental Activities Capital Assets – Net of Depreciation	\$ 529,737	\$ (30,416)	\$ -	\$ 499,321

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 6. ECONOMIC DEPENDENCY**

Revenue appropriations from the City of Beaverton, the Township of Beaverton and the Township of Tobacco during the year ended March 31, 2005, represented approximately 98% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Beaverton contributing 13%, the Township of Beaverton contributing 29% and the Township of Tobacco contributing 58% of the appropriated revenue.

**NOTE 7. LONG TERM DEBT**

The individual fund long-term debt and other general long-term obligations of the District and the changes therein, are summarized as follows:

	July 1, 2004	Additions (Reductions)	June 30, 2005
Lease with option to purchase agreement dated as of September 29, 1999, Eighteen Airpaks	\$ 8,340	\$ (8,340)	\$ -
Loan #97-01 – USDA (RD)	180,000	(14,000)	166,000
Loan #97-03 – USDA (RD)	103,000	(10,000)	93,000
Total Long-Term Debt	<u>\$ 291,340</u>	<u>\$ (32,340)</u>	<u>\$ 259,000</u>

Year ended March 31,	Amounts
2006	\$ 14,000
2007	14,000
2008	14,000
2009	14,000
2010	14,000
Thereafter	189,000
	<u>\$ 259,000</u>

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE 9. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of and for the year ended March 31, 2005, the District implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; financial statements prepared using the economic resources measurement focus and the accrual basis of accounting; and adjustments to reconcile modified accrual financial statements to full accrual financial statements.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended March 31, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>REVENUES</b>				
Local contributions:				
City of Beaverton	\$ 19,421	\$ 19,421	\$ 19,421	-
Beaverton Township	43,324	43,324	43,324	-
Tobacco Township	86,648	86,648	86,648	-
Interest	-	-	150	(150)
Sale of fixed assets	-	-	2,500	(2,500)
Total revenues	<u>149,393</u>	<u>149,393</u>	<u>152,043</u>	<u>(2,650)</u>
<b>EXPENDITURES</b>				
Salaries and wages	27,500	27,500	19,681	7,819
Payroll taxes	4,000	4,000	1,493	2,507
Accounting	2,900	2,900	2,200	700
Contracted services	3,000	3,000	3,000	-
Equipment	3,000	3,000	-	3,000
Gas and oil	1,900	1,900	1,666	234
Hepatitis B	500	500	189	311
Insurance	14,000	14,000	18,102	(4,102)
Meetings and training	3,200	3,200	1,452	1,748
Office supplies	750	750	414	336
Operating supplies	11,900	11,900	12,308	(408)
Operating lease	1	1	1	-
Rent	4,500	4,500	4,000	500
Repair and maintenance	9,000	9,000	6,855	2,145
Telephone	1,500	1,500	1,584	(84)
Utilities	5,000	5,000	4,461	539
Capital outlay	11,500	11,500	17,850	(6,350)
Debt service:				
Principal payments - Fire pumper	29,707	29,707	24,000	5,707
Interest payments - Fire pumper	6,657	6,657	6,657	-
Principal payments - Capital lease	8,341	8,341	8,340	1
Interest payments - Capital lease	537	537	537	-
Total expenditures	<u>149,393</u>	<u>149,393</u>	<u>134,790</u>	<u>14,603</u>
Excess of revenues over expenditures	-	-	17,253	<u>\$ (17,253)</u>
Fund balance, beginning of year	<u>59,754</u>	<u>59,754</u>	<u>59,754</u>	
Fund balance, end of year	<u>\$ 59,754</u>	<u>\$ 59,754</u>	<u>\$ 77,007</u>	

June 10, 2005

Members of the Fire  
Administrative Board  
Beaverton Area Fire  
Protection District  
Gladwin County, MI

Dear Board Members:

In planning and performing our audit of the financial statements of the Beaverton Area Fire Protection District, Gladwin County, Michigan (the "District"), for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

### **REPORTABLE CONDITIONS**

#### **Overspending Budgeted Appropriations**

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the District incurred expenditures in excess of the amount appropriated.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the District. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Fire Administrative Board and documented in the Board's meeting minutes. This will help prevent the District from incurring expenditures in excess of appropriations.

Beaverton Area Fire  
Protection District  
June 10, 2005  
Page 2

Budget Format

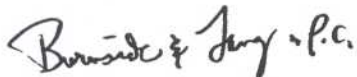
The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format to be followed in the presentation and adoption of a budget for a local governmental unit. The District's budget does not conform to the prescribed format. Therefore, we recommend the personnel responsible for preparing the budget study the two documents noted above and follow the prescribed format for all future budgets of the District.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2005, financial statements, and this report does not affect our report on those financial statements dated June 10, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Fire Administrative Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

**BURNSIDE & LANG, P.C.**